

South Carolina Retirement Systems



An Introduction

Contact Information

- South Carolina Retirement Systems
 - 800-868-9002 (within SC only)
 - (803)737-7500
 - Web site: www.retirement.sc.gov
 - Write to:
 - PO Box 11960
- Columbia, SC 29211-1960



Other Resources

■ Employee Insurance Program (EIP)

- Employee Insurance Program
1201 Main Street, Suite 300
Columbia, South Carolina 29201
888-260-9430 (toll-free)

■ South Carolina Deferred Compensation Program

- c/o ING
P.O. BOX 5182
Boston, MA 02206-5182
866-826-7283 (toll-free)



Retirement plan types

- **Defined benefit (DB) plan**
 - Provides a guaranteed monthly benefit based on a formula, not on a member's account balance at retirement
 - **Examples**
 - South Carolina Retirement System (SCRS)
 - Police Officers Retirement System (PORS)



Retirement plan types

- **Defined contribution (DC) plan**
 - Provides a retirement benefit based on the balance in a participant's account at retirement
 - **Example**
 - State Optional Retirement Program (State ORP)

Employees may also participate in employer-sponsored, voluntary supplemental retirement savings plans.



Retirement plan benefits

- **DB plan advantages (SCRS and PORS)**
 - **Lifetime benefit guaranteed by law and pre-funded**
 - **Plan assumes investment risk**
 - **Disability and life insurance protection**
 - **COLA protection**
 - **Automatic annual COLA of up to 2 percent for SCRS and PORS retirees**
 - **These automatic COLAs are pre-funded**



Retirement plan benefits

- **DC plan advantages
(State ORP)**

- Participant self-directs and manages investments
- Employee and employer contribution posted directly to participant's account
- Participant has immediate rights to both employee and employer contributions upon termination of employment
- Life insurance protection



Retirement plan benefits

■ DB plan disadvantages

- ❑ If member terminates and takes refund, member does not receive employer contributions or earnings on employer contributions
- ❑ No say in investment decisions
- ❑ Benefit is reduced if member retires early

■ DC plan disadvantages

- ❑ Participant assumes investment risk
- ❑ No disability protection
- ❑ No COLA protection



Defined benefit plan funding

■ Contributions

- Employers contribute a percentage of payroll for each member
- Employees contribute a pre-tax percentage of their salary



Defined benefit plan funding

- **Investment returns on assets**
 - **Managed through the SC Retirement System Investment Commission (RSIC)**
 - Comprised of financial experts and highly qualified, professional investment staff
 - Recent legislative changes have enabled the RSIC to structure a portfolio with competitive risk and return characteristics – comparable to our peers
 - RSIC's goal is for the Retirement Systems' investment performance to rank among the best state retirement plans in the nation



Current Volatility in the Market

- Market volatility often creates buying opportunities, and we use periods such as this to take advantage of reduced asset prices
- Because of the actuarial smoothing methods, any result of the current financial market crisis will be moderated over time and eliminated entirely if investment returns return to historic norms
- The current market situation will not impact the Retirement Systems' ability to pay benefits



Economic impact of our plans

- We disburse more than \$2 billion in benefits annually, which is more than the personal income derived in the Palmetto State each year from farming, forestry, fishing, and utilities, combined.
- Approximately 94 percent of our annuitants reside in South Carolina.
- A recent study revealed that DB plans can deliver the same retirement income to a group of employees at 46 percent lower cost than individual DC accounts.*

*The study, “A Better Bang for the Buck: The Economic Efficiencies of Defined Benefit Pension Plans,” was published August 14, 2008, by the National Institute on Retirement Security.



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This presentation is meant to serve as a guide but does not constitute a binding representation of the South Carolina Retirement Systems. The statutes governing the South Carolina Retirement Systems are found in Title 9 of the South Carolina Code of Laws, and should there be any conflict between this presentation and the statutes or Retirement Systems' policies, the statutes and policies will prevail.

Employers covered by the South Carolina Retirement Systems are not agents of the Retirement Systems.



Summary

- Employees have the choice to participate in the retirement plan that best suits their needs
- SCRS and PORS retirement benefits are secure and include an automatic annual COLA of up to 2 percent
- Assets are prudently invested to maximize returns
- The Retirement Systems has a significant, positive impact on the economy of South Carolina
- DB plans deliver retirement income in a cost-efficient manner – at 46 percent less cost than individual DC accounts! This is good news for South Carolina's taxpayers!

